Highcroft
Investments PLC

Annual Report & Financial Statements 31 December 2012

STOCK CODE: HCFT

Highcroft Investments PLC is a Real Estate Investment Trust (REIT) that has a portfolio of property and equity investments.

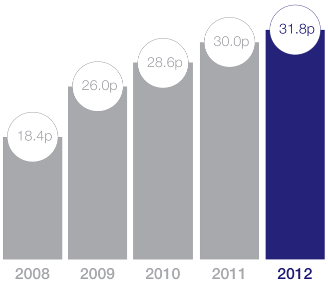
THE BROAD OBJECTIVES OF THE GROUP ARE TO ENHANCE SHAREHOLDER VALUE VIA A COMBINATION OF INCREASING ASSET VALUE, INCREASING PROFITS AND INCREASING DIVIDENDS.

The strategy by which the board of Highcroft seeks to achieve these objectives is:

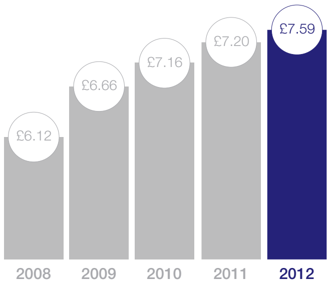
- To continue to focus on the commercial property portfolio; creating opportunities to enhance valuations and income
- To have such a proportion of funds in equity investments which maintains a lower risk profile than would attach to a portfolio that was 100% invested in property

Key Highlights

Dividends Payable



Net asset value per share



Net asset value per share is calculated as the net assets divided by the total number of issued shares

- Gross property income increased by 10% to £2,351,000
- Net profit for the year on revenue activities up 80% to £3,720,000
- Adjusted earnings per share (on revenue activities) up 80% to 72.0p
- Net asset value per share up from 720p to 759p
- Total property income distribution up 6% to 31.8p per share
- Cash and liquid equity investments of £8,987,000 (2011 £7,524,000)
- Nil gearing (2011 nil).

The report of the directors on pages 7 to 12 and the directors' remuneration report on pages 13 and 14 have each been drawn up in accordance with the requirements of English law and liability in respect thereof is also governed by English law. In particular, the responsibility of the directors for these reports is owed solely to Highcroft Investments PLC.

The directors submit to the members their report and accounts of the group for the year ended 31 December 2012. Pages 1 to 14, including the chairman's introduction, corporate governance statement, report of the directors and directors' remuneration report form part of the report of the directors.

For more information on our investments go to page 2

For more information on our financials go to page 15

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Chairman's Introduction

Dear Shareholder,

I am pleased to introduce our annual report and accounts for the year ended 31 December 2012 and to invite you to our Annual General Meeting on 17 May 2013.

Results for the year

I am delighted to report that we have made further progress both in operating profits from our property portfolio and through returns from the sale of both property assets and from realisations from our equity portfolio.

Property: Our gross property rental income rose 10% to £2,351,000 (2011 £2,129,000), with all this increase being due to the performance of our commercial portfolio. This growth includes the effect of a full year's income from the industrial unit in Andover purchased in November 2011, coupled with the swift re-investment of monies released by the sale of Willow House, Victoria into two industrial units let to good covenants with higher yields and longer unexpired terms. These units are in Bedford, let to Booker and in Milton Keynes, let to Ikea. Performance of the portfolio has been excellent with the only void being a two month period on the ground floor of our Willow House property, and no bad debts in the period. The sale of Willow House was particularly pleasing as it had been purchased with a view to the potential redevelopment opportunities that might enhance its value and the sale proceeds reflected the realisation of this plan. The sales proceeds were £1,490,000 in excess of the value at 31 December 2011 and also above the purchase price in 2006. During the second half of the year we also concluded our negotiations for new leases on two of our Oxford High Street properties which have resulted in increased rental income in 2012 and increased valuations.

Equities: Our average income yield of 4.4% on the portfolio, coupled with a realised net gain of £74,000 and an unrealised net gain of £424,000, are a result of the strength of our portfolio and we have outperformed the FTSE 100 and the All Share indices.

Administrative expenses: Our ongoing administrative expenses reduced by 7% and our costs remain tightly controlled.

Financial highlights: Profit on revenue activities showed an 80% improvement on 2011, driven particularly by the profit arising on the sale of Willow House. Turning to our capital performance, the property portfolio showed a net valuation loss for the year, although the strength of the underlying assets and the new leases in Oxford meant that the loss was lower than the market as a whole. Our year end net asset value per share increased to 759p (2011 720p). Our year end cash position was £3,274,000 (2011 £1,926,000), whilst readily realisable equity investments totalled £5,713,000 (2011 £5,598,000).

Dividend

We are recommending a final dividend of 19.8p per share (2011 18.5p) to be paid on 31 May 2013 to shareholders registered at 3 May 2013, making a total of 31.8p for the year (2011 30p). This increase of 6% for the year continues our recent record of dividend increases well in excess of inflation.

Board

As you are aware, Chris Clark retired from the Board on 31 May 2012. We have not replaced him as we believe that we have enough existing board expertise in our equities business, which was an area in which he provided much counsel. The Board will continue to monitor the need for a third non-executive director having particular regard to the requirements of the UK Corporate Governance Code.

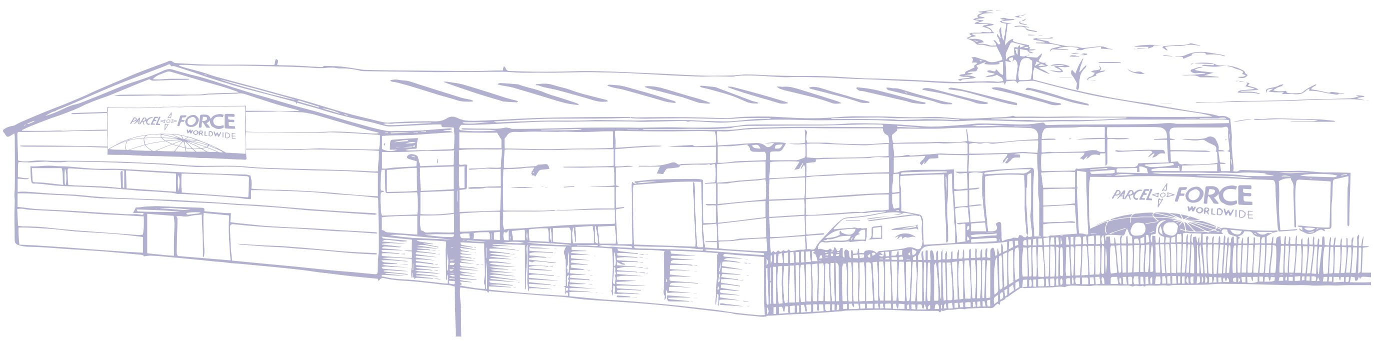
Outlook

We continue to regard our position as strong and are determined to take advantage of weak markets so as to enhance yield and strengthen covenants. Our success in achieving the group's objectives and commensurately growing asset values and your dividend will, to a large extent, depend upon the flow of suitable properties coming to market and our own management actions. We will continue to adopt a cautious stance whilst continuing our proactive approach with our property advisers to step up the pace of acquisitions to take advantage of market opportunities. We have a number of lease events taking place over the coming two years and we will endeavour to conclude these in a manner that enhances both income and valuation, but recognise that downwards pressure on rental levels, particularly for High Street Retail units, may continue for some time. We will carefully consider a modest level of gearing if we feel that suitable opportunities present themselves that cannot be financed from our own resources.

We believe that the company is well placed to take actions which will secure medium term growth for its shareholders.

J S Hewitt

John Hewitt
Chairman
19 March 2013

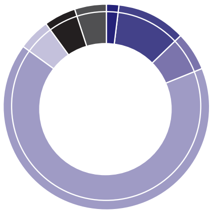


Our Investments

Highcroft's investment portfolio comprise 85% freehold and long leasehold properties and 15% blue chip equities.

Equity investments

Geographical split



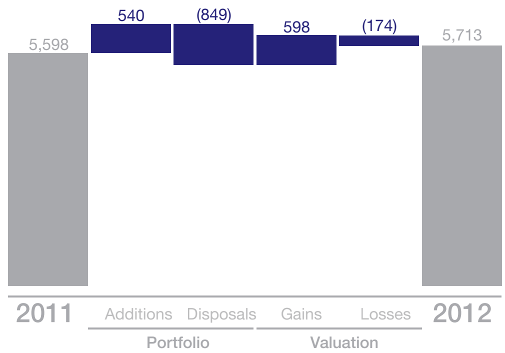
- Asia Pacific 2%
- Australia 11%
- Canada 6%
- UK 66%
- Netherlands 5%
- Other Markets 5%
- USA 5%

Split by sector

- Banks 22%
- Beverages 6%
- Gas, Water & Multiutilities 3%
- Mining 7%
- Mobile Telecommunications 7%
- Oil & Gas 9%
- Pharmaceuticals & Biotechnology 9%
- Unit Trusts & OEIC's 6%
- Other 31%

Equity portfolio value

£'000



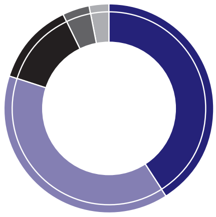
Property portfolio valuation

Commercial	£'000
1. Retail units in Oxford, let to Jigsaw	3,300
2. Industrial unit in Milton Keynes, let to Ikea	2,700
3. Radio station and office building in Oxford, let to the BBC	2,550
4. Industrial unit in Andover, let to Jewsons	2,500
5. Distribution centre in Kidlington, Oxfordshire, let to Parcelforce	2,250
6. Industrial unit in Bedford, let to Booker	2,000
7. Office building in central Bristol, let to Royal & Sun Alliance	1,650
8. Distribution centre in Southampton, let to Metabo	1,450
9. Multi-let retail units in Staines, with offices above	1,450
10. Industrial unit in Warwick, let to Nationwide Crash Repair	1,375
11. Retail unit in Leamington Spa, let to Thorntons	1,350
12. Multi-let retail units in Cirencester, with residential above	1,350
13. Retail unit in Oxford, let to Britannia Building Society	1,150
14. Retail unit in Norwich, let to Austin Reed	1,100
15. Bank premises in Petersfield, let to Barclays	1,025
16. Licensed leisure and retail property in Warrington, let to Wetherspoons and Cash Converters	910
17. Bank premises in Reigate, let to Lloyds Banking Group	900
18. Retail unit in Beckenham, let to Superdrug	760
19. Retail unit in Kingston, let to Kaleido	575
Total Commercial	30,345
Residential	1,264
Total	31,609

Property investments

Our properties are located primarily in London and the South East and our commercial tenants are chosen for their strong covenants and sector diversity.

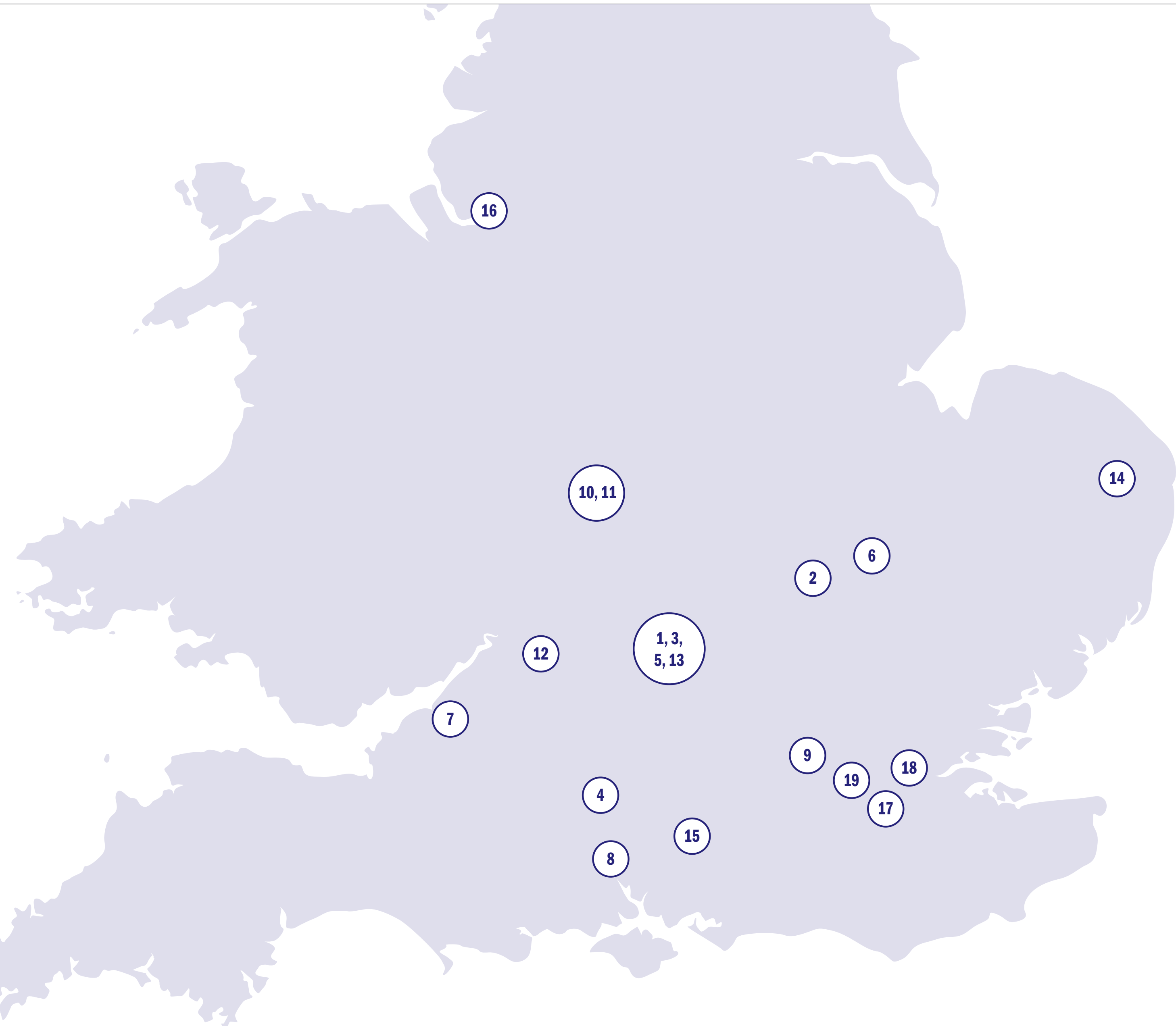
Split by sector



Retail Property	41%
Warehouse	39%
Office Property	13%
Residential	4%
Leisure	3%

Property portfolio value

£'000



Corporate Governance

Application of principles

The company has applied the principles of good governance contained in the UK Corporate Governance Code (June 2010) (formerly the Combined Code) hereafter referred to as "the Code" except as noted in the Compliance Statement below.

Compliance

The company has complied throughout the year with the Code provisions other than in two areas:

- no performance related payments were made to directors, which is not in accordance with Code provision D1.1. The remuneration committee and board believe that the directors do not need to have performance related payments in order to be motivated to give their best in serving the interests of shareholders. The remuneration committee reviews salaries and relevant benchmarks each year to ensure that the directors are appropriately remunerated.
- The audit committee does not have a member with recent and relevant financial experience which is not in accordance with Code provision C3.1. The audit committee and board believe that given the size of the group and the lack of complexity of the group's financial and reporting requirements it is more appropriate to contract in this particular skill-set where a particular need is identified.

Board effectiveness

The board is responsible for leading and controlling the group activities and, in particular:

- approving objectives, strategy and policies
- business planning
- review of performance
- risk assessment
- dividends
- appointments

The board meets at least six times a year and has a schedule of matters specifically reserved for its decision including the matters referred to above. Executive directors are responsible for the implementation of strategy and policies and the day-to-day decision making and administration.

During 2012 the number of board and committee meetings and individual participation was as follows:

	Board	Audit	Remuneration	Nomination
Number of Meetings	7	3	1	2
J Hewitt	7	3	1	2
R N Stansfield	7	3	1	2
C J Clark (retired 31 May 2012)	3	1	1	N/A
J C Kingerlee	7	N/A	N/A	N/A
R Miles	7	3 (part)	N/A	N/A
D H Kingerlee	7	N/A	N/A	N/A

The board receives appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from the company secretary and independent professionals at the company's expense. The chairman reviews directors' training needs annually and appropriate training is available for new directors and other directors as identified by that plan.

The board has five directors of which three are executive directors and two are non-executive directors. The chairman is John Hewitt, the senior independent director is Richard Stansfield and the chief executive is Jonathan Kingerlee. The board members' biographies are on page 7.

The independent non-executive directors bring additional experience and knowledge and are independent of management and any business or other relationship that could interfere with the exercise of their independent judgement. This provides a balance whereby an individual or small group cannot dominate the board's decision-making.

All directors are subject to re-election every three years and, on appointment, at the first AGM after appointment. The board has a separate nomination committee, comprising the non-executive directors, responsible for making recommendations for appointments to the board.

Formal procedures appropriate to the size of the business are in use for performance evaluation of the board and its committees. They include objective-setting and review with the use of an external facilitator on a periodic basis.

Directors' remuneration

The directors' remuneration report is on page 13 and 14. It sets out the company's policy and the full details of all elements of the remuneration package of each individual director.

Relations with shareholders

The board values the views of its shareholders and recognises their interest in the company's strategy and performance, board membership and quality of management. The AGM is used to communicate with investors and documents are sent to shareholders at least 20 working days before the meeting. The chairman and chairmen of the audit and remuneration committees are available to answer relevant questions. Separate resolutions are proposed on each substantial issue so that they can be given proper consideration and there is a resolution to receive and consider the annual report and financial statements. The company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands. The proxy votes are included on the company's website. The company has no institutional shareholders but has commenced a programme of meetings with key shareholders, subject to regulatory constraints. The board is provided with feedback from these meetings.

Accountability and audit

The board presents a balanced and understandable assessment of the company's position and prospects in all interim and other price-sensitive public reports, reports to regulators and information required to be presented by statute. The responsibilities of the directors as regards the financial statements are described on page 6, and that of the auditor on page 29. A statement on going concern appears on page 5.

The audit committee of the board comprises both non-executive directors and is chaired by Richard Stansfield. It does not include a member who has recent and relevant financial experience but, in situations where these skills are considered necessary, the committee will appoint advisers to assist them. The committee meets not less than three times a year to review the scope and findings of the auditor's work on audit and non-audit issues, the interim and annual reports prior to their publication, the application of the company's accounting policies and any changes to the financial reporting requirements. The audit committee also plays an important part in reviewing the company's systems of internal control which are described below. The audit committee reports on each of its meetings at the next board meeting.

The audit committee reviews the terms of engagement with the external auditor and ensures that the external auditor is independent via the segregation of audit-related work from other accounting functions. They have also received and reviewed written disclosures from the auditor regarding independence. The audit committee has referenced audit fees with similar auditors and decides how frequently the audit should be put out to tender. The audit committee reviews the appointment of the external auditor on an annual basis and makes a recommendation to the board for their reappointment to be approved at the AGM.

Internal control

The board is responsible for establishing and maintaining a sound system of internal control and for reviewing its effectiveness. The system of internal control is designed to meet the particular needs of the group and the risks to which it is exposed, and by its very nature provide reasonable, but not absolute assurance against material misstatement or loss. The internal control system was in place for the period under review up to the date of approving the accounts. There is an ongoing process to identify, evaluate and manage the risks facing the business. The entire system of internal control was reviewed during the year and the conclusion was that the systems are adequate for a group of this size and complexity. This review has been undertaken in accordance with guidance published by The Institute of Chartered Accountants in England and Wales.

The key procedures, which exist to provide effective internal control, are as follows:

- clear limits of authority
- annual revenue, cash flow and capital forecasts, reviewed regularly during the year, monthly monitoring of cash flow and capital expenditure reported to the board, quarterly and half year revenue comparisons with forecast
- financial controls and procedures
- clear guidelines for capital expenditure and disposals, including defined levels of authority
- meetings of the executive directors to authorise share purchases and sales on a regular basis
- an audit committee, which approves audit plans and published financial information and reviews reports from the external auditor arising from the audit and dealing with significant control matters raised
- regular board meetings to monitor areas of concern
- annual review of risks and internal controls
- annual review of compliance with the Code.

The board has considered the need for an internal audit function but has decided that the size of the group does not justify it at present. However, it does review the position annually.

The directors have reviewed the operation and effectiveness of the group's system of internal control, including financial, operational and compliance controls and risk management for the financial year ended 31 December 2012 and the period up to the date of approval of the financial statements.

The board also has a nomination committee comprising the non-executive directors whose key objective is to ensure that the board comprises individuals with the requisite skills, knowledge and experience to ensure that it is effective in discharging its responsibilities.

Going concern

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, and consider that there are no material uncertainties that lead to significant doubt upon the group's ability to continue as a going concern. Cash flow forecasts are prepared annually as part of the planning and budgeting process and are monitored and reworked regularly. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Given the continuing economic uncertainties, the directors are aware of the general concern affecting the assessment of the going concern basis for all businesses and have therefore taken particular care in reviewing the going concern basis this year. The group has no borrowing. The group does not currently have an overdraft facility or a loan facility. However, contact is maintained with a number of banks which regard the group as an attractive lending opportunity. The group carefully monitors its forecast cash balances in order to ensure an overdraft is not required and it has relatively liquid assets, in the form of listed equity investments, which it can draw on if necessary.

Structure of share capital and rights and obligations attaching to shares

The company's authorised ordinary share capital as at 31 December 2012 was £2,000,000 divided into 8,000,000 ordinary shares of 25 pence each of which 5,167,240 shares of 25p each were allotted, called up and fully paid.

Corporate Governance continued

Subject to the Companies Act for the time being in force (the Act) the company's articles of association confer on holders the following principal rights:

- To receive a dividend
  The profits of the company available for dividend and resolved to be distributed shall be applied in the payment of dividends to the members and to persons becoming entitled to shares by transmission, in accordance with their respective rights and priorities. The company in general meeting may declare dividends accordingly.
- To a return of capital or assets, if available, on liquidation
  Upon any winding up of the company, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the statutes, divide among the members in specie the whole or any part of the assets of the company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members of different classes of members.
- To receive notice of, attend and vote at an AGM
  At each AGM upon a show of hands every member present in person or by proxy shall have one vote, and upon a poll every member present in person or by proxy shall have one vote for every share of which he or she is the holder.
- To have, in the case of certificated shares, rights in respect of share certificates and share transfers
  Every person whose name is entered as a member in the register as the holder of any certificated share shall be entitled without payment to one certificate for all he shares of each class held by him or, upon payment of such reasonable out-of-pocket expenses for every certificate after the first as the board shall from time to time determine, several certificates each for one or more of his shares.

  On any transfer of shares, the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable IFRSs and UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements and the remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of my knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union for the group and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) for the parent company.
- Give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By the order of the board

Roberta Miles

R MILES
Company Secretary

Report of the Directors

Principal activities

Highcroft Investments PLC is a group that invests in property and equity investments.

Directors

The directors are as follows:

John Hewitt	John Hewitt, 67, worked in the City of London in stockbroking for over 20 years where he became managing director of Scrimgeour Vickers. He is currently campaign adviser to Wadham College Oxford and a trustee of the Oxfordshire Association for the Blind. He also advises a number of other local and international businesses and organisations. He was appointed as an independent non-executive director in 1999.
Richard Stansfield	Richard Stansfield, 55, is a chartered surveyor and formerly a director of Savills commercial department based in Oxford where he advised a number of institutional clients on their commercial property portfolios throughout the UK. He is now Property Director of Jesus College Oxford and responsible for a fund of commercial, residential and rural properties located in England and Wales. He was appointed as an independent non-executive director in 2002.
Jonathan Kingerlee	Jonathan Kingerlee, 52, became an executive director in 1995 and chief executive in 2001. He is chief executive of the Kingerlee Group of companies, which trades principally in construction and property development and has various investment interests. Other interests include companies developing and selling environmental building materials, and he is also a founder member of the Good Homes Alliance which is a trade association open to property developers and housing associations committed to improving the performance of newly constructed homes.
David Kingerlee	David Kingerlee, 51, became an executive director in 1996. He is also an executive director and company secretary of the Kingerlee Group of companies, which trades principally in construction and property development and has various investment interests.
Roberta Miles	Roberta Miles, 50, was appointed finance director and company secretary in 2010. She is also a director of MCD Ventures Limited and acts as company secretary or chief financial officer for a number of other companies.

In accordance with the company's articles of association Roberta Miles and David Kingerlee retire by rotation and, being eligible, offer themselves for re-election.

John Hewitt, having served more than nine years on the board, submits himself for re-election. Before recommending John for re-election the other directors have conducted a rigorous appraisal of performance and consider him to be independent, effective and to demonstrate commitment to the role.

Richard Stansfield, having also served more than nine years on the board, submits himself for re-election. Before recommending Richard for re-election the other directors have conducted a rigorous appraisal of performance and consider him to be independent, effective and to demonstrate commitment to the role.

Report of the Directors continued

Interests of the directors in the shares of the company

The beneficial and other interests of the directors, and their families, in the shares of the company at 1 January 2012 and at 31 December 2012 were as follows:

	31 December 2012		1 January 2012	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
J Hewitt	**10,485**	**–**	10,000	–
C J Clark (retired 31 May 2012)	**4,950**	**–**	4,950	–
R N Stansfield	**–**	**–**	–	–
J C Kingerlee	**130,986**	**–**	130,986	–
R Miles	**–**	**–**	–	–
D H Kingerlee	**88,470**	**77,780**	88,470	77,780

There is no duplication of directors' shareholdings, except in respect of 38,890 of the beneficial holding of Jonathan Kingerlee and 38,890 of the non–beneficial holding of David Kingerlee.

Substantial shareholders

As at 19 March 2013 the following notifications of interests in three per cent or more of the company's ordinary share capital in issue at the date of this report had been received:

		Number of shares	
		Beneficial	**Non-beneficial**
D G & M B Conn and associates	20.23%	1,045,067	–
The wholly owned subsidiaries of Kingerlee Holdings Limited, total 25.40%:			
Kingerlee Limited	9.97%	515,000	–
Kingerlee Homes Limited	7.70%	397,673	–
T H Kingerlee & Sons Limited	7.73%	399,674	–

Strategy

The broad objectives of the group are unchanged. These are to enhance shareholder value via a combination of increasing asset value, increasing profits and increasing dividends. The strategy by which the board of Highcroft seeks to achieve these objectives and our comments in respect of 2012, including relevant key performance indicators follow. The directors are well aware that the current economic circumstances are ones which increase the risks for all organisations but continue to believe that the strategy remains appropriate.

To continue to focus on the commercial property portfolio

Allocation of total investments	**2012 %**	2011 %	2010 %	2009 %	2008 %
Commercial property	**82**	82	78	72	72
Residential property	**3**	3	7	7	6
Equity investments	**15**	15	15	21	22
Total	**100**	100	100	100	100

During the year we sold one freehold office block and invested the majority of the proceeds in two industrial units in Bedford and Milton Keynes that provide an increased yield and have a longer unexpired term than the property disposed of.

To continue to reduce the residential property portfolio when opportunities arise

Number of residential disposals	2012	2011	2010	2009	2008
Per annum	**0**	4	1	0	1

The group had historically planned for two residential disposals per year but as we sell only with vacant possession the annual rate is not within our control. We now have only 4 residential units with regulated tenancies therefore whilst the group still plans to dispose of them on an opportunistic basis it is recognised that this is not possible to plan for. There was 1 lease extension during the year.

To have such a proportion of funds in equity investments which maintains a lower risk profile than would attach to a portfolio which was 100% invested in property.
We intend that equity investments will represent 15–25% of total investments and the upper limit is a condition of our REIT status. At 31 December 2012 equity investments represented 15% (2011 15%) of total investments.

We withdrew a net £382,000 of cash from our equity portfolio in 2012. The board will continue to monitor the condition of the equity and property markets in 2013 and would consider making a transfer of funds out of the equity investment portfolio and into the property portfolio, consistent with maintaining a lower risk profile.

To seek property development opportunities from within our own property portfolio.
We are continuing to explore potential development opportunities within our portfolio and during the year the opportunities that had been anticipated at Willow House were leveraged at sale.

To seek, though not exclusively, new property acquisitions with development opportunities where the development risks can be counter–balanced by income from the same investment.
This continues to be one of the potential attractions which we seek from new acquisitions, although there were again no suitable properties with potential development opportunities identified in 2012. Our acquisition of two additional industrial units during 2012 is a result of a positive effort to diversify the property portfolio.

To use medium–term gearing, but to a level which would be perceived as cautious by comparison with other real estate businesses.
We maintained contact with a number of banks, to which we are an attractive lending proposition, and we may use those contacts to expand the property portfolio in the future when we feel that the timing is appropriate to make significant new acquisitions.

Business review

Results and dividends

The trading results for the year and the group’s financial position at the end of the year are shown in the financial statements, and are discussed further in the business review below.

The board is proposing a final property income distribution on the ordinary shares in respect of 2012 of 19.8p (2011 18.5p) per share. The total property income distributions for the year will be 31.8p per share (2011 30.0p per share).

The dividends paid to shareholders during 2012 were as follows:

	2012 £’000	2011 £’000
2011 Final: 18.5p per ordinary share (2010 17.6p)	**956**	909
2012 Interim: 12.0p per ordinary share (2011 11.5p)	**620**	594
	1,576	1,503

Report of the Directors continued

Although we have an ambition to increase distributions to shareholders each year, adherence to the REIT obligations may cause a less even pattern than has historically been the case.

Financial performance – revenue activities

Gross income for the year ended 31 December 2012 was £2,602,000 (2011 £2,390,000).

Analysis of gross income	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Commercial property income	**2,308**	2,086	1,995	1,877	2,050
Residential property income	**43**	43	58	66	74
Gross income from property	**2,351**	2,129	2,053	1,943	2,124
Income from equity investments	**251**	261	234	292	450
Total income	**2,602**	2,390	2,287	2,235	2,574

Underlying commercial property income has risen in 2012 because the industrial unit in Andover bought at the end of 2011 generated income all year, and the funds released from the sale of Willow House were quickly invested into properties generating higher yields. Additionally we had one void unit throughout 2011 which was let in Q1 2012.

Residential property income is generated from four regulated tenancies, two flats above commercial units and ground rents and remained steady in 2012.

The 2012 income from equity investments has dropped slightly, as the 2011 figure was enhanced by one special dividend of £48,000. The underlying increase after taking this into account reflects a general improvement in the yields on our equity portfolio and is also a positive result of the transactions undertaken during the year.

Analysis of administrative and net finance expenses	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Directors' remuneration	**156**	162	156	139	166
Auditor's remuneration including other services	**20**	21	20	22	34
Fees in respect of conversion to a REIT	**–**	–	–	–	47
Other expenses	**135**	152	154	122	77
Administrative expenses	**311**	335	330	283	324
Net finance (income)/expense	**(8)**	(15)	(9)	18	61
Total expenses	**303**	320	321	301	385

The ongoing running costs of the business remain well controlled.

Donations

Donations to charitable organisations amounted to £12,000 (2011 £11,000). There were no political donations.

Summary of profit before tax and income tax credit/(expense) on revenue activities	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Profit before tax	**3,667**	2,045	1,821	1,681	1,889
Income tax credit/(expense)	**53**	21	144	(11)	33
Profit for the year	**3,720**	2,066	1,965	1,670	1,922

Financial performance – capital activities

A summary of our investments is laid out on pages 2 and 3.

Analysis of gains and losses on property	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Realised gains on investment property	**1,552**	360	108	–	–
Realised losses on investment property	**–**	(82)	(8)	–	(5)
	1,552	278	100	–	(5)
Revaluation gains on investment property	**1,769**	801	1,735	1,616	59
Revaluation losses on investment property	**(2,355)**	(1,072)	(158)	(416)	(8,985)
	(586)	(271)	1,577	1,200	(8,926)

Financial performance – capital activities continued

Analysis of gains and losses on equities – capital activities	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Realised gains on equity investments	**79**	81	69	263	5
Realised losses on equity investments	**(5)**	(24)	(136)	(141)	(446)
	74	57	(67)	122	(441)
Revaluation gains on equity investments	**598**	316	649	1,416	90
Revaluation losses on equity investments	**(174)**	(563)	(73)	(93)	(3,089)
	(424)	(247)	576	1,323	(2,999)

Summary of investment activities	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Purchase of property	**4,827**	2,871	1,558	281	–
Purchase of equity investments	**540**	423	1,028	515	750
	5,367	3,294	2,586	796	750

Summary of other key performance indicators

The directors have monitored the progress of the group's strategy and the individual strategic elements by reference to certain financial and non-financial key performance indicators.

Growth in gross income	2012	2011	2010	2009	2008
Commercial property income	**11%**	5%	6%	(8%)	(1%)
Residential property income	**0%**	(26%)	(12%)	(10%)	16%
Total property income	**10%**	4%	6%	(9%)	0%
Income from equity investments	**(4%)**	12%	(20%)	(35%)	11%
Total revenue income	**9%**	5%	2%	(13%)	2%

Costs of voids and bad debts	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Voids	**2**	63	87	108	136
Bad debts	**–**	–	2	26	42

The retail property in Yeovil was vacant until July 2011 and once let was disposed of in 2011 and the ground floor of our offices in Victoria was vacant throughout 2011 and part of the first quarter of 2012. At 31 December 2012 there were no voids.

Report of the Directors continued

Future developments for the business/Future outlook

The group is in a very sound financial position with no gearing, and cash and liquid equity investments of over £8.9m. The directors anticipate that there will be an increasing number of properties being marketed in the coming months and that the group is well placed to take advantage of the right opportunities. The board is also considering complementary ways of enhancing the property portfolio (joint ventures, for instance) which it hopes to progress during 2013.

Principal risks and uncertainties

Operational and financial risks facing the business are monitored through a process of regular assessment by the executive directors and by reporting and discussion at meetings of the audit committee and the board.

The directors are of the opinion that a thorough risk management process is adopted which includes the formal review of all the six risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

1. Adverse economic environment

   The economic uncertainties which remain globally and in the UK are a current concern for all businesses. We expect this to continue to impact on consumer spending and on the financial health of businesses in which we are investors and businesses who are our tenants. We assess the credit worthiness of our current and potential tenants and review any rental arrears on a regular basis.

   The independent valuation of all property assets includes assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. In adverse conditions, this reappraisal can lead to a reduction in property values and a loss in net asset value.

2. Balance of income and assets

   Highcroft's status as a REIT is conditional upon a number of factors, the most critical of which is maintaining a correct balance of income and assets such that the property side is greater than 75% at the year end. Failure to maintain these balances can lead to exclusion from the REIT regime. The directors are aware of this risk and it is a key principle underlying our investment decision-making.

3. Business strategy

   The success of Highcroft is dependent upon establishing the right business strategy to fulfil shareholder expectations. We are explicit about our strategy and assess our performance against that strategy in our annual report. In response to this risk, the directors use planning and forecasting of the business to help to ensure that outcomes are satisfactory for shareholders. As noted above, we continue to believe that our strategy is the right one.

4. Insolvency of a tenant

   Rent collections are continuously reviewed by our property managers and regularly reviewed internally. Tenants' financial status is carefully reviewed when a new lease is entered into and when a property is acquired. The present economic environment has increased the risk of tenant insolvency which leads to bad debts and voids.

   The group has 25 commercial tenants, so that the risks associated with the default of individual tenants are quite well spread. Our five largest tenants by current passing rent provide 43% (2011 42%) of current income. The weighted average credit score of these five tenants is presently 84 (2011 92). The weighted average credit score of the whole portfolio is currently 85 (2011 85).

5. Potential for unsatisfactory relationship with property advisers and managers

   The performance of the property portfolio is key to our overall success and the professional advice we receive is critical. We work closely with our advisers to review regularly the performance of the portfolio and also that of the advisers themselves. As with all our advisers, the work is periodically put out to tender.

6. Internal controls become ineffective, irrelevant or incomplete

   Potential issues affecting internal control are a continuous part of our thinking. Risks and their controls are reviewed annually by the audit committee and by the whole board.

Corporate environmental and social responsibility policies

In the conduct of the group's business, the directors aim to act with honesty, integrity and openness and to conduct operations to the highest standards. We seek to minimise the risk of our activities having any adverse effect on the environment.

Policy on the payment of suppliers

The group and company normally agree payment terms with suppliers as part of the establishment of a contract. It is the group's and company's normal practice to pay its suppliers before the end of the month following the month of supply. This policy applies at the present time and applied in 2012 when average creditor days were 30 (2011 30).

Financial instruments

Information on financial instruments is included in note 17.

Auditor

Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting to be held on 17 May 2013.

By the Order of the Board

R MILES
Company Secretary
19 March 2013

Directors' Remuneration Report

Information contained in this report is not subject to audit except where specified.

Composition of the remuneration committee

The members of the committee are Richard Stansfield (chairman) and John Hewitt. Neither of the committee has any personal financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross-directorships nor any day-to-day involvement in running the business.

Terms of reference

The approved terms of reference of the remuneration committee are as follows:

The remuneration committee is established in order to determine the company's policy on executive directors' remuneration and the specific remuneration packages for each of the executive directors, including any pension rights and any compensation payments.

The remuneration committee consults the chief executive about their proposals relating to the remuneration of other executive directors but he is not present for the discussion of his own remuneration. The committee has access to advice from independent professionals at the company's expense.

Policy

Executive directors' remuneration is reviewed annually having regard to the work done and the profits of the business but without a fixed relationship between profits and any element of pay. One third of the directors are subject to retirement at each Annual General Meeting. Executive directors are given service contracts within which there is a notice period by either party of six months, and with no provision for compensation payments on termination. Each non-executive director has a formal appointment document for a period of three years, subject, at any time to termination on six months' notice by either party.

If any director agrees to waive any element of their remuneration the board will consider making an additional donation to charity.

The remuneration of the non-executive directors is determined by the whole board.

Director's service contracts

Non-executive directors	Date of appointment as director	Date of current appointment letter	Expiry of term
John Hewitt	1 August 1999	1 July 2010	30 June 2013
Richard Stansfield	1 December 2002	1 July 2011	30 June 2014

Executive directors	Date of appointment as director	Date of current contract	Notice period
Jonathan Kingerlee	2 February 1995	1 July 2011	Six months
David Kingerlee	12 September 1996	1 July 2012	Six months
Roberta Miles	1 July 2010	1 July 2010	Six months

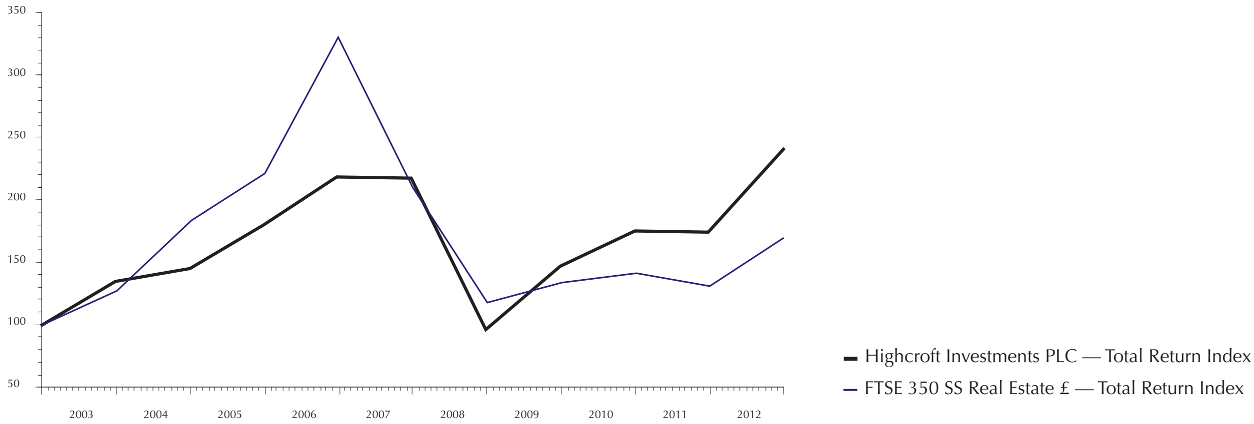
Directors' interests

Directors' interests are shown in the report of the directors on page 8. They are taken from the company's register of directors' interests which is open to inspection, by appointment, at the registered office.

Directors' Remuneration Report continued

Performance graph

The graph below shows the company's Total Shareholder Return (TSR) compared to the FTSE 350 Real Estate index over the last ten years. TSR over the last ten years is defined as share price growth plus reinvested dividends.

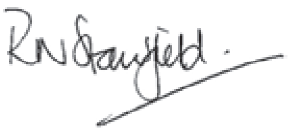


Source: Thomson Reuters Database

Directors' remuneration (audited)

	2012 £	2011 £
John Hewitt	**13,500**	10,500
Christopher Clark (resigned 31 May 2012)	**5,417**	11,000
Richard Stansfield	**14,000**	11,000
Jonathan Kingerlee	**34,750**	34,750
David Kingerlee	**21,000**	21,000
Roberta Miles	**52,800**	60,250
	141,467	148,500

There were no benefits in kind and no performance related payments were made. The group does not have a pension scheme for directors nor an executive share option scheme or other long term incentive plan for directors.



R N STANSFIELD
Chairman of the remuneration committee
19 March 2013

Consolidated statement of comprehensive income

for the year ended 31 December 2012

	Note	2012 Revenue £'000	2012 Capital £'000	2012 Total £'000	2011 Revenue £'000	2011 Capital £'000	2011 Total £'000
Gross rental revenue		**2,351**	**–**	**2,351**	2,129	–	2,129
Property operating expenses	8	**(184)**	**–**	**(184)**	(303)	–	(303)
Net rental income		**2,167**	**–**	**2,167**	1,826	–	1,826
Realised gains on investment property		**1,552**	**–**	**1,552**	360	–	360
Realised losses on investment property		**–**	**–**	**–**	(82)	–	(82)
Net gains on investment property		**1,552**	**–**	**1,552**	278	–	278
Valuation gains on investment property		**–**	**1,769**	**1,769**	–	801	801
Valuation losses on investment property		**–**	**(2,355)**	**(2,355)**	–	(1,072)	(1,072)
Net valuation (losses)/gains on investment property	8	**–**	**(586)**	**(586)**	–	(271)	(271)
Dividend revenue		**251**	**–**	**251**	261	–	261
Gains on equity investments	9	**–**	**677**	**677**	–	397	397
Losses on equity investments	9	**–**	**(179)**	**(179)**	–	(587)	(587)
Net investment income/(expense)		**251**	**498**	**749**	261	(190)	71
Administration expenses	3	**(311)**	**–**	**(311)**	(335)	–	(335)
Net operating profit before net finance income		**3,659**	**(88)**	**3,571**	2,030	(461)	1,569
Finance income		**8**	**–**	**8**	15	–	15
Net finance income		**8**	**–**	**8**	15	–	15
Profit/(loss) before tax		**3,667**	**(88)**	**3,579**	2,045	(461)	1,584
Income tax credit/(expense)	5	**53**	**(38)**	**15**	21	119	140
Total profit and comprehensive income for the year		**3,720**	**(126)**	**3,594**	2,066	(342)	1,724
Basic and diluted earnings per share	7	**72.0p**	**(2.5p)**	**69.6p**	40.1p	(6.7p)	33.4p

The total column represents the income statement as defined in IAS1.

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2012

	Note	2012 £'000	2011 £'000	2010 £'000
Assets				
Non–current assets				
Investment property	8	**31,609**	30,787	30,705
Equity investments	9	**5,713**	5,598	5,608
Total non–current assets		**37,322**	36,385	36,313
Current assets				
Trade and other receivables	10	**254**	217	93
Cash and cash equivalents		**3,274**	1,926	2,472
Total current assets		**3,528**	2,143	2,565
Total assets		**40,850**	38,528	38,878
Liabilities				
Current liabilities				
Current income tax		**–**	–	215
Trade and other payables	11	**1,000**	681	897
Total current liabilities		**1,000**	681	1,112
Non–current liabilities				
Deferred tax liabilities	12	**609**	624	764
Total non–current liabilities		**609**	624	764
Total liabilities		**1,609**	1,305	1,876
Net assets		**39,241**	37,223	37,002
Equity				
Issued share capital	13	**1,292**	1,292	1,292
Revaluation reserve — property		**7,050**	4,904	6,670
— other		**1,746**	1,592	1,750
Capital redemption reserve		**95**	95	95
Realised capital reserve		**22,366**	21,428	19,810
Retained earnings		**6,692**	7,912	7,385
Total equity		**39,241**	37,223	37,002

These financial statements were approved by the board of directors on 19 March 2013.

J Hewitt
Director

J C Kingerlee
Director

Company number — 224271

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

2012	**Issued share capital £'000**	**Revaluation reserves Property £'000**	**Revaluation reserves Other £'000**	**Capital redemption reserve £'000**	**Realised capital reserve £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2012	1,292	4,904	1,592	95	21,428	7,912	37,223
Dividends	–	–	–	–	–	(1,576)	(1,576)
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation losses	–	(586)	416	–	–	170	–
Tax on revaluation gains/(losses)	–	–	(20)	–	–	20	–
Realised gains	–	–	–	–	1,608	(1,608)	–
Surplus attributable to assets sold in the year	–	912	(242)	–	(670)	–	–
Excess of cost over revalued amount taken to retained earnings	–	1,820	–	–	–	(1,820)	–
Transactions with owners	–	2,146	154	–	938	(4,814)	(1,576)
Profit and total comprehensive income for the year	–	–	–	–	–	3,594	3,594
At 31 December 2012	**1,292**	**7,050**	**1,746**	**95**	**22,366**	**6,692**	**39,241**

2011	Issued share capital £'000	Revaluation reserves Property £'000	Revaluation reserves Other £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2011	1,292	6,670	1,750	95	19,810	7,385	37,002
Dividends	–	–	–	–	–	(1,503)	(1,503)
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation gains	–	(271)	(238)	–	–	509	–
Tax on revaluation gains/(losses)	–	–	109	–	–	(109)	–
Realised gains	–	–	–	–	(40)	40	–
Surplus attributable to assets sold in the year	–	(1,629)	(29)	–	1,658	–	–
Excess of cost over revalued amount taken to retained earnings	–	134	–	–	–	(134)	–
Transactions with owners	–	(1,766)	(158)	–	1,618	(1,197)	(1,503)
Profit and total comprehensive income for the year	–	–	–	–	–	1,724	1,724
At 31 December 2011	1,292	4,904	1,592	95	21,428	7,912	37,223

Revaluation reserves include annual revaluation gains and losses, less attributable deferred taxation. The realised capital reserve includes realised revaluation gains and losses, less attributable income tax. In accordance with the articles of association the revaluation and realised capital reserves are not distributable.

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

		2012 £'000	2011 £'000
Operating activities			
Profit for the year		**3,594**	1,724
Adjustments for:			
Net valuation losses/(gains) on investment property		**586**	271
Gain on disposal of investment property		**(1,552)**	(278)
(Gain)/loss on investments		**(498)**	190
Finance income		**(8)**	(15)
Income tax credit		**(15)**	(140)
Operating cash flow before changes in working capital and provisions		**2,107**	1,752
Increase in trade and other receivables		**(37)**	(124)
Increase/(decrease) in trade and other payables		**319**	(215)
Cash generated from operations		**2,389**	1,413
Finance income		**8**	15
Income taxes paid		**–**	(216)
Net cash flows from operating activities		**2,397**	1,212
Investing activities			
Purchase of non-current assets	— investment property	**(4,827)**	(2,871)
	— equity investments	**(540)**	(423)
Sale of non-current assets	— investment property	**4,972**	2,796
	— equity investments	**922**	243
Net cash flows from investing activities		**527**	(255)
Financing activities			
Dividends paid		**(1,576)**	(1,503)
Net cash flows from financing activities		**(1,576)**	(1,503)
Net increase/(decrease) in cash and cash equivalents		**1,348**	(546)
Cash and cash equivalents at 1 January 2012		**1,926**	2,472
Cash and cash equivalents at 31 December 2012		**3,274**	1,926

Notes to the Financial Statements

for the year ended 31 December 2012

1 Significant accounting policies

Highcroft Investments PLC is a company domiciled in the United Kingdom. The consolidated financial statements of the company for the year ended 31 December 2012 comprise the company and its subsidiary, together referred to as the group. The accounting policies remain unchanged.

Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and the measurement of equity investments at fair value.

Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, assumptions and estimates that affect the application of accounting policies and amounts reported in the consolidated income statement and consolidated statement of financial position. Such decisions are made at the time the financial statements are prepared and adopted based on historical experience and other factors that are believed to be reasonable at the time. Actual outcomes may be different from initial estimates and are reflected in the financial statements as soon as they become apparent. The measurement of fair value and carrying investments at fair value through profit and loss constitutes the principal areas of judgement exercised by the directors in the preparation of these financial statements. The valuations of investment properties and equity investments at fair value are carried out by external advisers who the directors consider to be suitably qualified to carry out such valuations. The primary source of evidence for property valuations is recent, comparable market transactions on arm's–length terms. However the valuation of the group's property portfolio is inherently subjective, which may not prove to be accurate, particularly where there are few comparable transactions. Key assumptions, which are also the major sources of estimation uncertainty used in the valuation, include the value of future rental income, the outcome of future rent reviews, the rate of voids and the length of such voids. These assumptions were formed on the basis of historical information of the group and the best judgement of the directors.

New accounting standards and interpretations

The group's approach to new accounting standards and interpretations issued during the year is set out below.

Standards amendments and interpretations effective in the year ended 31 December 2012 and adopted for the first time with no impact on these financial statements

- none

Amendments to and interpretations of existing standards that are relevant to the group but are not yet effective and have not been adopted early

The following amendments to, or interpretations of, existing standards that have been published and are mandatory for the group's future accounting periods beginning on or after 1 January 2013 are:

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)

Management do not expect to implement the above standards until all of their chapters have been published and they can comprehensively asses the impact of all the changes.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its 100% subsidiary, Rodenhurst Estates Limited, which are both made up to 31 December 2012, also following consistent accounting policies. Unrealised profits or losses on intra–group transactions are eliminated in full.

Rental revenue as a lessor

Investment properties are leased to tenants under operating leases. The rental income receivable under these leases is recognised in the income statement on a straight line basis over the term of the lease. Any rent free period is spread over the period of the lease. Since the risks and rewards of ownership have not been transferred to the lessee, the assets held under these leases continue to be recognised in the group's accounts.

Dividend revenue

Dividend revenue relating to exchange–traded equity investments is recognised in the income statement on the dividend payment date. In some cases, the group may receive dividends in the form of shares rather than cash. In such cases, the group recognises the dividend income for the amount of cash dividend alternative with a corresponding increase in cost of investments.

Interest income and expense

Interest income and expense are recognised in the income statement under the effective interest method as they accrue. Interest income is recognised on a gross basis, including withholding tax, if any.

Expenses

All expenses are recognised in the income statement on an accrual basis.

Notes to the Financial Statements continued

1 Significant accounting policies continued

Realised gains and losses
Realised gains and losses are calculated as the difference between the proceeds, less expenses, and the value of the asset at the beginning of the financial year. The related revaluation gains or losses of previous years are transferred from revaluation reserve to realised capital reserve when the asset is disposed of.

Income tax
Income tax on the profit and loss for the periods presented comprises current and deferred tax, except where it relates to items charged directly to equity in which case the related deferred tax is also charged or credited to equity. Income tax is recognised in the income statement. As a REIT, tax is not payable on the income and gains generated in the tax exempt property business.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of equity investments, using tax rates enacted or substantially enacted at the balance sheet date.

Investment property
Investment property is that which is held either to earn rental income or for capital appreciation or for both. Investment property is stated at fair value. An external, independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the portfolio every six months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's–length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In accordance with IAS 40, a property interest under an operating lease is classified and accounted for as an investment property on a property–by–property basis when the group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Acquisitions and disposals are recognised on the date of completion. Any unrealised gain or loss arising from a change in fair value is recognised in the income statement.

Equity investments
The directors have designated the group's qualifying financial assets at fair value through profit and loss on the basis that to do so is in accordance with its documented investment strategy. Over 99.8% of the group's equity investments are quoted and are valued at market price.

Trade and other receivables
Trade and other receivables are recognised at fair value on initial recognition and subsequently at amortised cost. An impairment loss is recognised for the amount by which the receivable's carrying amount is believed to exceed its recoverable amount. To estimate the recoverable amount, management considers the payment history of the tenant and takes into account the most recent credit rating of the tenant.

Cash and cash equivalents
Cash and cash equivalents comprise cash available at less than three months' notice.

Trade and other payables
Trade and other payables are recognised at fair value on initial recognition and subsequently at amortised cost.

Issued share capital
Ordinary shares are classified as equity because they do not contain an obligation to transfer cash or another financial asset. Dividends are recognised as a liability in the period in which they are payable.

Segment reporting
The group has three main operating segments. In identifying these operating segments, management follows the group's distribution of assets in accordance with its investment strategy. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. A segment is a distinguishable component of the group whose operating results are regularly reviewed by the group's chief operating decision maker. For management purposes, the group uses the same measurement policies as those used in its financial statements.

2 Segment reporting

The operating segment reporting format identifies the operating segments the performance of which is monitored by the group's management using a consistent internal reporting structure. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The group is comprised of the following main operating segments:

- commercial property comprising retail outlets, offices and warehouses
- residential property comprising single–let houses and flats
- financial assets comprising exchange–traded equity investments

	2012 £'000	2011 £'000
Commercial property		
Gross income	**2,308**	2,086
Profit for the year	**2,650**	1,070
Assets	**33,369**	31,714
Liabilities	**856**	549
Residential property		
Gross income	**43**	43
Profit for the year	**214**	503
Assets	**1,266**	1,149
Liabilities	**2**	1
Financial assets		
Gross income	**251**	261
Profit for the year	**731**	151
Assets	**6,215**	5,665
Liabilities	**751**	755
Total		
Gross rental and dividend income	**2,602**	2,390
Profit for the year	**3,594**	1,724
Assets	**40,850**	38,528
Liabilities	**1,609**	1,305

In 2012 and in 2011 the largest tenant represented less than 10% of gross commercial property income.

3 Administrative expenses

	2012 £'000	2011 £'000
Directors (note 4)	**156**	162
Auditor's fees		
Fees payable to the company's auditor for the audit of the company's annual accounts	**19**	19
Fees payable to the company's auditor for other services:		
Other services pursuant to legislation	**1**	2
Other expenses	**135**	152
	311	335

Notes to the Financial Statements continued

4 Directors

	2012 £'000	2011 £'000
Remuneration in respect of directors was as follows:		
Remuneration	**141**	149
Social security costs	**15**	13
	156	162

The average number of employees, all of whom were directors, of the group during the year was 5 (2011 6). All directors are considered to be key managers of the company. More detailed information concerning directors' remuneration is shown in the directors' remuneration report.

5 Income tax credit

	2012 £'000	2011 £'000
Current tax:		
On revenue profits	**(53)**	(20)
On capital profits	**18**	15
Prior year overprovision	**–**	(1)
	(35)	(6)
Deferred tax (note 12)	**20**	(134)
Income tax credit	**(15)**	(140)

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24.5% (2011 26.25%).

The differences are explained as follows:

	2012 £'000	2011 £'000
Profit before tax	**3,579**	1,584
Profit before tax multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 26.25%)	**877**	416
Effect of:		
Tax exempt revenues	**(62)**	(69)
Profit not taxable as a result of REIT status	**(768)**	(431)
Chargeable gains/losses less/(more) than accounting profit	**10**	20
Losses carried forward	**(22)**	(25)
Effect of change in tax rate on deferred tax liability	**(50)**	(50)
Adjustments to tax charge in respect of prior periods	**–**	(1)
Income tax credit	**(15)**	(140)

6 Dividends

In 2012 the following dividends have been paid by the company:

	2012 £'000	2011 £'000
2011 Final: 18.5p per ordinary share (2010 17.6p)	**956**	909
2012 Interim: 12.0p per ordinary share (2011 11.5p)	**620**	594
	1,576	1,503

On 19 March 2013 the directors declared a property income distribution of £1,023,000, 19.8p per share (2011 £956,000, 18.5p per share) payable on 31 May 2013 to shareholders registered at 3 May 2013.

7 Earnings per share

The calculation of earnings per share is based on the total profit for the year of £3,594,000 (2011 £1,724,000) and on 5,167,240 shares (2011 5,167,240) which is the weighted average number of shares in issue during the year ended 31 December 2012 and throughout the period since 1 January 2012. There are no dilutive instruments.

In order to draw attention to the impact of valuation gains and losses which are included in the income statement but not available for distribution under the company's articles of association, an adjusted earnings per share based on the profit available for distribution of £3,720,000 (2011 £2,066,000) has been calculated.

	2012 £'000	2011 £'000
Earnings:		
Basic profit for the year	**3,594**	1,724
Adjustments for:		
Net valuation losses on investment property	**586**	271
(Gains)/losses on investments	**(498)**	190
Income tax on gains/(losses)	**38**	(119)
Adjusted earnings	**3,720**	2,066
Per share amount:		
Earnings per share (unadjusted)	**69.6p**	33.4p
Adjustments for:		
Net valuation losses on investment property	**11.3p**	5.3p
Losses/(gains) on investments	**(9.6p)**	3.7p
Income tax on (losses)/gains	**0.7p**	(2.3p)
Adjusted earnings per share	**72.0p**	40.1p

8 Investment property

	2012 £'000	2011 £'000	2010 £'000
Valuation at 1 January	**30,787**	30,705	27,825
Additions	**4,827**	2,871	1,558
Disposals	**(3,419)**	(2,518)	(255)
Revaluation (losses)/gains	**(586)**	(271)	1,577
Valuation at 31 December	**31,609**	30,787	30,705

In accordance with IAS 40 the carrying value of investment properties is their fair value as determined by external valuers. This valuation has been conducted by Knight Frank LLP, as external valuers, and has been prepared as at 31 December 2012, in accordance with the Appraisal & Valuation Standards of the Royal Institution of Chartered Surveyors, on the basis of market value. This value has been incorporated into the financial statements.

The independent valuation of all property assets uses market evidence and also includes assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. In adverse conditions, this reappraisal can lead to a reduction in property values and a loss in net asset value.

At 31 December 2012 investment property with a carrying amount of £1,450,000 is charged to Lloyds TSB Bank PLC to provide security for any future borrowings.

Notes to the Financial Statements continued

8 Investment property continued

The group leases out its commercial investment property under operating leases. The future minimum lease payments receivable under non–cancellable leases are as follows:

	2012 £'000	2011 £'000	2010 £'000
Less than one year	**2,251**	2,091	2,001
Between one and five years	**7,231**	5,730	6,025
More than five years	**11,235**	8,881	6,332
	20,717	16,702	14,358

Property operating expenses are analysed as follows:

	2012 £'000	2011 £'000	2010 £'000
Arising from generating rental income	**181**	221	159
Not arising from generating rental income	**3**	82	86
	184	303	245

9 Equity investments

	2012 £'000	2011 £'000	2010 £'000
Valuation at 1 January	**5,598**	5,608	7,397
Additions	**540**	423	1,028
Disposals	**(849)**	(186)	(3,393)
Surplus/(deficit) on revaluation in excess of cost	**416**	(238)	572
Revaluation decrease below cost	**(17)**	(15)	(6)
Revaluation increase still less than cost	**25**	6	10
Valuation at 31 December	**5,713**	5,598	5,608

The analysis of gains and losses on equity investments shown in the income statement is as follows:

	2012 £'000	2011 £'000	2010 £'000
Realised gains on equity investments	**79**	81	69
Revaluation gains on equity investments	**598**	316	649
	677	397	718

	2012 £'000	2011 £'000	2010 £'000
Realised losses on equity investments	**5**	24	136
Revaluation losses on equity investments	**174**	563	73
	179	587	209

10 Trade and other receivables

	2012 £'000	2011 £'000	2010 £'000
Trade receivables	**182**	240	124
Bad debt provision	**(2)**	(41)	(44)
Net trade receivables	**180**	199	80
Other receivables	**74**	18	13
	254	217	93

Amounts due from tenants at each year end include amounts invoiced on 25 December in respect of rents in advance for the period 25 December to 24 March. At 31 December 2012 amounts due from tenants which were more than 90 days overdue, which related to rents for 2012 or earlier, totalled £2,000 (2011 £48,000). Provisions against these overdue amounts totalled £41,000 at the beginning of the year, of which £39,000 was released, to give a provision of £2,000 at 31 December 2012.

11 Trade and other payables

	2012 £'000	2011 £'000	2010 £'000
Deferred income	**556**	438	485
Social security and other taxes	**226**	26	138
Other payables	**218**	217	274
	1,000	681	897

The directors consider that the carrying value of trade and other payables approximates to their fair value.

12 Deferred tax liabilities

Deferred taxation, arising from revaluation gains on equity investments, provided for in the financial statements is set out below and is calculated using a tax rate of 23% (2011 25%).

	2012 £'000	2011 £'000	2010 £'000
At 1 January	**624**	764	969
Realised in the year	**(35)**	(6)	(298)
Provided/(released) in the year	**20**	(134)	93
At 31 December	**609**	624	764

13 Share capital

	2012 £'000	2011 £'000	2010 £'000
Authorised 8,000,000 ordinary shares of 25p each	**2,000**	2,000	2,000
Allotted, called up and fully paid 5,167,240 (2011 5,167,240) ordinary shares of 25p each	**1,292**	1,292	1,292

The directors monitor capital on the basis of total equity and operate within the requirements of the articles of association. There was no medium–term debt at 31 December 2012 (2011 nil and 2010 nil). The directors manage the group's working capital to take advantage of suitable commercial opportunities as they arise whilst maintaining a relatively low cost capital base. This capital management is principally carried out by the realisation of liquid equity investments, the sale of vacant residential properties and the use of surplus cash. In the medium term the directors may again use medium–term debt to finance future commercial property acquisitions in line with its long term strategy.

14 Capital commitments

There were no capital commitments at 31 December 2012 or at 31 December 2011.

15 Contingent liabilities

There were no contingent liabilities at 31 December 2012 or 31 December 2011.

16 Related party transactions

Kingerlee Holdings Limited owns, through its subsidiaries, 25.40% (2011 25.36%) of the company's shares and D H Kingerlee and J C Kingerlee are directors and shareholders of both the company and Kingerlee Holdings Limited. The transactions between the group and Kingerlee Holdings Limited or its subsidiaries were as follows:

	2012 £'000	2011 £'000
Property income distribution	**400**	381
Service charge in relation to services provided at Thomas House, Kidlington	**14**	14
Repairs to properties	**–**	–
Amounts outstanding at the end of the year	**–**	–

Notes to the Financial Statements continued

16 Related party transactions continued

The company owns 100% of Rodenhurst Estates Limited. The transactions between the company and Rodenhurst Estates Limited were as follows:

	2012 £'000	2011 £'000
Dividend received	**2,000**	3,500
Management charge receivable	**133**	134
Interest receivable on intercompany loan	**54**	18
Amounts outstanding at the end of the year	**4,427**	3,912

The key management personnel are the directors of the group. Their remuneration is set out in note 4. In addition, the following directors received dividends during the year (or period of office if shorter) in respect of their shareholdings:

	2012 £'000	2011 £'000
J Hewitt	**3**	3
D H Kingerlee	**27**	26
J C Kingerlee	**40**	38
C J Clark (retired 31 May 2012)	**–**	1

17 Financial instruments and financial risk

The following table presents financial instruments measured at fair value in the statement of financial position in accordance with fair value hierarchy. This hierarchy groups financial instruments into three levels based on the significance of issues used in measuring the fair value of the financial instruments. The fair value hierarchy has the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3: the fair value of financial instruments that are not traded in an active market, for example, investments in unquoted companies, is determined by reference to the last known price at which shares were traded.

There have been no transfers between these classifications in the year (2011 none). The change in fair value for the current and previous years is recognised through the consolidated statement of comprehensive income.

IFRS 7 measurement classification — 2012

	Level 3 Unquoted equity investments £'000	Level 1 Quoted equity investments £'000	Total Quoted and unquoted £'000
Opening cost	4	2,655	2,659
Opening unrealised gain	5	2,934	2,939
Opening fair value at 1 January 2012	9	5,589	5,598
Additions at cost	–	540	540
Disposal proceeds	–	(924)	(924)
Net gain realised on disposal	–	75	75
Change in fair value in the year on assets held at 31 December 2012	–	424	424
Closing fair value at 31 December 2012	9	5,704	5,713
Closing cost	4	2,591	2,595
Closing unrealised gain	5	3,113	3,118
At 31 December 2012	9	5,704	5,713

17 Financial instruments and financial risk continued

IFRS 7 measurement classification — 2011

	Level 3 Unquoted equity investments £'000	Level 1 Quoted equity investments £'000	Total Quoted and unquoted £'000
Opening cost	4	2,390	2,394
Opening unrealised gain	5	3,209	3,214
Opening fair value at 1 January 2011	9	5,599	5,608
Additions at cost	–	423	423
Disposal proceeds	–	(243)	(243)
Net gain realised on disposal	–	57	57
Change in fair value in the year on assets held at 31 December 2011	–	(247)	(247)
Closing fair value at 31 December 2011	9	5,589	5,598
Closing cost	4	2,655	2,659
Closing unrealised gain	5	2,934	2,939
At 31 December 2011	9	5,589	5,598

Categories of financial instruments

	2012		2011	
	Carrying amount £'000	**Income/ (expense) £'000**	Carrying amount £'000	Income/ (expense) £'000
Financial assets designated at fair value through the income statement				
Equity investments	**5,713**	**424**	5,598	(247)
Loans and receivables				
Trade and other receivables	**254**	**–**	217	–
Cash and cash equivalents	**3,274**	**–**	1,926	–
	3,528	**–**	2,143	–
Financial liabilities measured at amortised cost				
Trade and other payables	**218**	**–**	217	–
	218	**–**	217	–

Fair value and maturity of financial instruments

The group has no derivative financial instruments. Exposure to credit, liquidity and market risks, arises in the normal course of the group's business. At 31 December 2012 the group had no borrowings and fair values of loans and receivables and financial liabilities held at amortised cost were not materially different from book values.

Market risk

Market risk arises from that portion of the group's activities relating to investment in equities. This risk relates to the effect of market conditions on the pricing of the equities which forms the key component of their year–end valuation. This risk is mitigated by the equity portfolio being spread by both geography and sector.

Credit risk

The group's credit risk, ie the risk of financial loss due to a third–party failing to discharge its obligation, primarily affects its trade receivables. Creditworthiness of potential tenants is assessed before entering into contractual arrangements. The amount of trade receivables presented in the balance sheet is calculated after any allowances for doubtful receivables, estimated by the directors. The allowance as at 31 December 2012 was £2,000 (2011 £41,000).

The group has no significant concentration of credit risk, with exposure spread over a number of tenants. The credit status of tenants is continuously monitored and particularly reviewed before properties are acquired, before properties are let and before new leases are granted.

The group's cash holdings are mainly in Lloyds TSB Bank PLC and cash is also held by the group's property managers, lawyers and brokers acting as agents, though not for long periods of time.

Notes to the Financial Statements continued

17 Financial instruments and financial risk continued

Liquidity risk

The group's liquidity risk, ie the risk that it might encounter difficulty in meeting its obligations, applies to its trade payables and any medium–term borrowings that the group takes out from time to time. The group has not encountered any difficulty in paying its trade payables in good time.

Interest rate risk

The group finances its operations through retained profits and also, from time to time, medium–term borrowings. Neither fixed rate instruments nor interest rate swaps have been used. The group places any cash balances on deposit at rates which are fixed in the short term but for sufficiently short periods that there is no need to hedge against the implied risk.

When medium–term borrowings are used variable rates of interest apply. There were no borrowings in 2012.

Currency exchange risk

The group is not directly exposed to currency risk as it does not trade in foreign currencies. However, most of the group's equity investments are held in international companies and 25.9% (2011 23.8%) of the equity investment portfolio comprises overseas holdings. The inherent currency risk affecting those holdings is an indistinguishable factor in determining their market value and is taken into consideration as part of the overall assessment of investment risk.

Maturity of group financial liabilities

At 31 December 2012 there were no group financial liabilities at variable rates (2011 £nil).

Borrowing facilities

The group has no undrawn committed borrowing facilities.

18 Net assets per share

	2012 £'000	2011 £'000
Net assets	39,241	37,223
Ordinary shares in issue	5,167,240	5,167,240
Basic net assets per share	759p	720p

Report of the Independent Auditor

to the members of Highcroft Investments PLC

We have audited the financial statements of Highcroft Investments PLC for the year ended 31 December 2012 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the financial statements, the company balance sheet and the notes to the company financial statements. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs, as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement set out on pages 4 to 6 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the company.

Under the Listing Rules, we are required to review:

- the directors' statement, set out on page 5, in relation to going concern;
- the part of the corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

Grant Thornton UK LLP.

Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford
19 March 2013

Company Balance Sheet

at 31 December 2012

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Fixed assets					
Investments	5		**35,005**		33,974
Current assets					
Debtors	6	**4,447**		3,936	
Cash at bank		**501**		61	
		4,948		3,997	
Creditors – amounts falling due within one year	7	**151**		144	
Net current assets			**4,797**		3,853
Total assets less current liabilities			**39,802**		37,827
Capital and reserves					
Called up share capital	8		**1,292**		1,292
Reserves					
— Realised capital	9	**6,047**		5,783	
— Capital redemption		**95**		95	
— Revaluation	9	**28,327**		27,229	
— Retained earnings	9	**4,041**		3,428	
			38,510		36,535
Shareholders' funds	11		**39,802**		37,827

These financial statements were approved by the board of directors on 19 March 2013.

J Hewitt
Director

J C Kingerlee
Director

Company number — 224271

The accompanying notes form an integral part of these financial statements.

Notes to the Company Financial Statements

for the year ended 31 December 2012

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable UK GAAP accounting standards and under the historical cost convention except for the revaluation of investments. The principal accounting policies of the company have remained unchanged from the previous year.

Income from fixed asset investments

Income from fixed asset investments includes dividends received in the year and interest receivable for the year.

Dividends payable

Dividend payments are dealt with when paid as a change of equity in retained earnings. Final dividends proposed are not recognised as a liability.

Investments

Investments are included at the following valuations:

- shares in subsidiary undertaking – at market value (net assets as shown by its financial statements are taken as a reasonable estimate of market value)
- equity investments (99.8% are listed on a recognised investment exchange) – at market value
- unlisted investments – at market value estimated by the directors

The directors manage and evaluate performance on a fair value basis and therefore have designated qualifying financial assets at fair value through the profit and loss account. Other movements are recognised directly in equity.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Unprovided deferred taxation would crystallise on the sale of assets at their balance sheet value.

Gains on disposals of assets

Gains on disposals of assets are the excess of net proceeds over the valuation at the beginning of the year. They are not available for distribution under the company's articles of association and are taken to realised capital reserve.

2 Company profit for the year after tax

The company has not presented its own profit and loss account as permitted under section 408 of the Companies Act 2006. The profit after tax for the year was £2,191,000 (2011 £3,370,000). Information regarding directors' remuneration appears on pages 13 and 14 of the consolidated financial statements.

3 Auditor's fees

	2012 £'000	2011 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	**19**	19
Fees payable to the company's auditor for other services:		
Other services pursuant to legislation	**1**	2
	20	21

Notes to the Company Financial Statements continued

4 Dividends

In 2012 the following dividends have been paid by the company:

	2012 £'000	2011 £'000
2011 Final: 18.5p per ordinary share (2010 17.6p)	**956**	909
2012 Interim: 12.0p per ordinary share (2011 11.5p)	**620**	594
	1,576	1,503

On 19 March 2013 the directors declared a property income distribution of 19.8p per share (2011 18.5p) payable on 31 May 2013 to shareholders registered at 3 May 2013.

5 Investments

	Total £'000	Shares in subsidiary undertaking £'000	Other investments Listed £'000	Other investments Unlisted £'000
Valuation at 1 January 2012	33,974	28,376	5,589	9
Additions at cost	540	–	540	–
Disposals	(849)	–	(849)	–
Surplus on revaluation in excess of cost	1,332	916	416	–
Revaluation decrease below cost	(17)	–	(17)	–
Revaluation increase still less than cost	25	–	25	–
Valuation at 31 December 2012	35,005	29,292	5,704	9

Equity investments are included at their market value. If investments had not been revalued they would have been included on the historical cost basis at the following amounts:

	Total £'000	Shares in subsidiary undertaking £'000	Other investments Listed £'000	Other investments Unlisted £'000
Cost at 31 December 2012	6,947	3,754	3,189	4
Cost at 31 December 2011	6,413	3,754	2,655	4

At 31 December 2012, the company held 100% of the allotted ordinary share capital and voting rights of Rodenhurst Estates Limited which is a property owning company, registered in England and Wales and operating in England.

At 31 December 2012 the net assets of Rodenhurst Estates Limited were £29,293,000 (2011 £28,375,000) and the profit for the financial year was £3,503,000 (2011 £1,936,000).

6 Debtors

	2012 £'000	2011 £'000
Owed by subsidiary undertaking	**4,427**	3,912
Other debtors	**20**	24
	4,447	3,936

7 Creditors — amounts falling due within one year

	2012 £'000	2011 £'000
Other taxes and social security	**9**	7
Other creditors	**142**	137
	151	144

8 Share capital

	2012 £'000	2011 £'000
Authorised 8,000,000 ordinary shares of 25p each	**2,000**	2,000
Allotted, called up and fully paid 5,167,240 (2011 5,167,240) ordinary shares of 25p each	**1,292**	1,292

9 Reserves

	Revaluation £'000	Realised capital £'000	Retained earnings £'000
At 1 January 2012	27,229	5,783	3,428
Profit retained	–	–	2,613
Dividends paid	–	–	(1,576)
Revaluation gain — equities	424	–	(424)
Revaluation gain — Rodenhurst Estates Limited	916	–	–
Realised gains	–	57	–
Tax on realised gains	–	(35)	–
Surplus attributable to assets sold in the year	(242)	242	–
At 31 December 2012	28,327	6,047	4,041

The revaluation reserve includes annual revaluation gains and losses, less attributable taxation. The realised capital reserve includes realised revaluation gains and losses, less attributable taxation. In accordance with the articles of association the revaluation and realised capital reserves are not distributable.

10 Deferred taxation

Deferred taxation provided and unprovided for in the financial statements is set out below and is calculated using a tax rate of 23% (2011 25%). Unprovided deferred taxation would crystallise if equity investments were sold at their balance sheet value.

	Provided		Unprovided	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Unrealised capital gains	**–**	–	**5,357**	5,622

11 Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Profit for the financial year	**2,613**	3,370
Dividends	**(1,576)**	(1,503)
	1,037	1,867
Other recognised gains and losses:		
Surplus/(loss) on revaluation of assets	**916**	(1,835)
Realised gains	**57**	42
Tax on prior year's surplus now realised	**(35)**	(5)
Net increase in shareholders' funds	**1,975**	69
Shareholders' funds at 1 January	**37,827**	37,758
Shareholders' funds at 31 December	**39,802**	37,827

Notes to the Company Financial Statements continued

12 Capital commitments

There were no capital commitments at 31 December 2012 or at 31 December 2011.

13 Contingent liabilities

There were no contingent liabilities at 31 December 2012 or at 31 December 2011.

14 Related party transactions

Kingerlee Holdings Limited, through its subsidiaries, owns 25.40% (2011 25.36%) of the company's shares and D H Kingerlee and J C Kingerlee are directors and shareholders of both the company and Kingerlee Holdings Limited. The transactions between the company and Kingerlee Holdings Limited or its subsidiaries, all of which were undertaken on an arm's–length basis, were as follows:

	2012 £'000	2011 £'000
Property income distribution or dividend	**400**	381
Service charge in relation to services provided at Thomas House, Kidlington	**14**	14
Amounts outstanding at the end of the year	**–**	–

Under the provision of FRS 8, transactions between Highcroft Investments PLC and Rodenhurst Estates Limited are exempt from these disclosure requirements as Rodenhurst is a wholly-owned subsidiary.

Group Five Year Summary (unaudited)

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Investment properties — at annual valuation	**31,609**	30,787	30,705	27,825	26,344
Equity investments — at market value	**5,713**	5,598	5,608	7,397	7,282
Total net assets	**39,241**	37,223	37,002	34,435	31,604
Net asset value per share in issue at end of each year	**759p**	720p	716p	666p	612p
Revenue (excluding gains/losses on disposals of assets)	**£'000**	£'000	£'000	£'000	£'000
Gross income from property	**2,351**	2,129	2,053	1,943	2,124
Dividend income	**251**	261	234	292	450
Profit available for distribution	**3,720**	2,066	1,965	1,670	1,922
Share capital					
Average number in issue (000's)	**5,167**	5,167	5,167	5,167	5,167
Basic earnings/(loss) per ordinary share	**69.6p**	33.4p	76.7p	76.2p	(179.3p)
Adjusted earnings per ordinary share	**72.0p**	40.1p	38.0p	32.3p	37.3p
Dividends payable per ordinary share	**31.8p**	30.0p	28.6p	26.0p	18.4p
FTSE 350 Real Estate Index	**394**	314	354	347	322
Highcroft year end share price	**590p**	465p	495p	445p	305p

Shareholder Notes

Directors and Advisers

Company number	224271
Directors	John Hewitt, MA (Non–executive Chairman) Richard Stansfield, BSc FRICS (Non–executive) Jonathan Kingerlee (Chief Executive) Roberta Miles, MA FCA (Finance) David Kingerlee (Executive)
Company secretary	Roberta Miles, MA FCA
Independent auditor	Grant Thornton UK LLP Statutory Auditor Chartered Accountants 3140 Rowan Place John Smith Drive Oxford Business Park South Oxford OX4 2WB
Bankers	Lloyds TSB Bank PLC The Atrium Davidson House Forbury Square Reading RG1 3EU
Corporate finance advisers	Charles Stanley Securities 131 Finsbury Pavement London EC2A 1NT
Property advisers	Jones Lang LaSalle Limited 30 Warwick Street London W1B 5NH
Independent valuers	Knight Frank LLP 55 Baker Street London W1U 8AN
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Solicitors	Clarkslegal LLP One Forbury Square The Forbury Reading RG1 3EB and Charles Russell LLP 5 Fleet Place London EC4M 7RD
Registered office	Thomas House Langford Locks Kidlington Oxon OX5 1HR www.highcroftplc.com

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